

CenturyLink, Inc.
CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED JUNE 30, 2013 AND 2012
(UNAUDITED)

(Dollars in millions, except per share amounts; shares in thousands)

	Three months ended June 30, 2013			Three months ended June 30, 2012			Increase (decrease) as reported	Increase (decrease) excluding special items
	As reported	Less special items	As adjusted excluding special items (Non-GAAP)	As reported	Less special items	As adjusted excluding special items (Non-GAAP)		
OPERATING REVENUES								
Strategic	\$ 2,164		2,164	2,078		2,078	4.1%	4.1%
Legacy	1,945		1,945	2,098		2,098	(7.3%)	(7.3%)
Data integration	167		167	170		170	(1.8%)	(1.8%)
Other	249		249	266		266	(6.4%)	(6.4%)
	<u>4,525</u>	<u>-</u>	<u>4,525</u>	<u>4,612</u>	<u>-</u>	<u>4,612</u>	(1.9%)	(1.9%)
OPERATING EXPENSES								
Cost of services and products	1,873	4 (1)	1,869	1,912	9 (3)	1,903	(2.0%)	(1.8%)
Selling, general and administrative	814	16 (1)	798	835	26 (3)	809	(2.5%)	(1.4%)
Depreciation and amortization	1,123		1,123	1,208		1,208	(7.0%)	(7.0%)
	<u>3,810</u>	<u>20</u>	<u>3,790</u>	<u>3,955</u>	<u>35</u>	<u>3,920</u>	(3.7%)	(3.3%)
OPERATING INCOME	715	(20)	735	657	(35)	692	8.8%	6.2%
OTHER INCOME (EXPENSE)								
Interest expense	(325)		(325)	(335)		(335)	(3.0%)	(3.0%)
Other income (expense)	4	-	4	(199)	(202) (4)	3	(102.0%)	33.3%
Income tax expense	(125)	40 (2)	(165)	(49)	93 (5)	(142)	155.1%	16.2%
NET INCOME	<u>\$ 269</u>	<u>20</u>	<u>249</u>	<u>74</u>	<u>(144)</u>	<u>218</u>	263.5%	14.2%
BASIC EARNINGS PER SHARE	\$ 0.45	0.03	0.41	0.12	(0.23)	0.35	275.0%	17.1%
DILUTED EARNINGS PER SHARE	\$ 0.44	0.03	0.41	0.12	(0.23)	0.35	266.7%	17.1%
AVERAGE SHARES OUTSTANDING								
Basic	604,302		604,302	619,887		619,887	(2.5%)	(2.5%)
Diluted	605,602		605,602	621,839		621,839	(2.6%)	(2.6%)
DIVIDENDS PER COMMON SHARE	\$ 0.540		0.540	0.725		0.725	(25.5%)	(25.5%)

SPECIAL ITEMS

- (1) - Includes severance costs associated with recent headcount reductions (\$4 million), integration, severance and retention costs associated with our acquisition of Qwest (\$11 million), integration, severance, retention costs associated with our acquisition of Savvis (\$4 million) and an accounting adjustment (\$1 million).
- (2) - Income tax expense of Item (1) and a favorable federal income tax settlement (\$33 million).
- (3) - Includes severance costs associated with reduction in force initiatives (\$23 million), integration, severance and retention costs associated with our acquisition of Qwest (\$10 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$2 million).
- (4) - Loss associated with early retirement of debt.
- (5) - Income tax benefit of Items (3) and (4).

CenturyLink, Inc.
CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(UNAUDITED)

(Dollars in millions, except per share amounts; shares in thousands)

	Six months ended June 30, 2013			Six months ended June 30, 2012			Increase (decrease) as reported	Increase (decrease) excluding special items
	As reported	Less special items	As adjusted excluding special items (Non-GAAP)	As reported	Less special items	As adjusted excluding special items (Non-GAAP)		
OPERATING REVENUES								
Strategic	\$ 4,306		4,306	4,136		4,136	4.1%	4.1%
Legacy	3,919		3,919	4,239		4,239	(7.5%)	(7.5%)
Data integration	307		307	315		315	(2.5%)	(2.5%)
Other	506		506	532		532	(4.9%)	(4.9%)
	<u>9,038</u>	<u>-</u>	<u>9,038</u>	<u>9,222</u>	<u>-</u>	<u>9,222</u>	(2.0%)	(2.0%)
OPERATING EXPENSES								
Cost of services and products	3,669	6 (1)	3,663	3,789	21 (4)	3,768	(3.2%)	(2.8%)
Selling, general and administrative	1,632	48 (1)	1,584	1,706	96 (4)	1,610	(4.3%)	(1.6%)
Depreciation and amortization	2,240		2,240	2,416		2,416	(7.3%)	(7.3%)
	<u>7,541</u>	<u>54</u>	<u>7,487</u>	<u>7,911</u>	<u>117</u>	<u>7,794</u>	(4.7%)	(3.9%)
OPERATING INCOME	1,497	(54)	1,551	1,311	(117)	1,428	14.2%	8.6%
OTHER INCOME (EXPENSE)								
Interest expense	(641)		(641)	(678)		(678)	(5.5%)	(5.5%)
Other income (expense)	43	37 (2)	6	(179)	(189) (5)	10	(124.0%)	(40.0%)
Income tax expense	(332)	32 (3)	(364)	(180)	119 (6)	(299)	84.4%	21.7%
NET INCOME	<u>\$ 567</u>	<u>15</u>	<u>552</u>	<u>274</u>	<u>(187)</u>	<u>461</u>	106.9%	19.7%
BASIC EARNINGS PER SHARE	\$ 0.93	0.02	0.90	0.44	(0.30)	0.74	111.4%	21.6%
DILUTED EARNINGS PER SHARE	\$ 0.92	0.02	0.90	0.44	(0.30)	0.74	109.1%	21.6%
AVERAGE SHARES OUTSTANDING								
Basic	611,862		611,862	619,048		619,048	(1.2%)	(1.2%)
Diluted	613,338		613,338	621,095		621,095	(1.2%)	(1.2%)
DIVIDENDS PER COMMON SHARE	\$ 1.08		1.08	1.45		1.45	(25.5%)	(25.5%)

SPECIAL ITEMS

- (1) - Includes severance costs associated with recent headcount reductions (\$11 million), integration, severance and retention costs associated with our acquisition of Qwest (\$18 million), integration, severance, retention costs associated with our acquisition of Savvis (\$7 million) and an accounting adjustment (\$18 million).
- (2) - Gain on the sale of a non-operating investment (\$32 million) and settlements of other non-operating issues (\$5 million).
- (3) - Income tax expense of Items (1) and (2) and a favorable federal income tax settlement (\$33 million).
- (4) - Includes severance costs associated with reduction in force initiatives (\$66 million), integration, severance and retention costs associated with our acquisition of Qwest (\$46 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$5 million).
- (5) - Net loss associated with early retirement of debt (\$194 million) and gain on the sale of investment securities (\$5 million).
- (6) - Income tax benefit of Items (4) and (5).

CenturyLink, Inc.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)
(Dollars in millions)

	Three months ended June 30, 2013			Three months ended June 30, 2012		
	As reported	Less special items	As adjusted excluding special items	As reported	Less special items	As adjusted excluding special items
Operating cash flow and cash flow margin						
Operating income	\$ 715	(20)	(1) 735	657	(35)	(2) 692
Add: Depreciation and amortization	1,123	-	1,123	1,208	-	1,208
Operating cash flow	<u>\$ 1,838</u>	<u>(20)</u>	<u>1,858</u>	<u>1,865</u>	<u>(35)</u>	<u>1,900</u>
Revenues	\$ 4,525	-	4,525	4,612	-	4,612
Operating income margin (operating income divided by revenues)	<u>15.8%</u>		<u>16.2%</u>	<u>14.2%</u>		<u>15.0%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>40.6%</u>		<u>41.1%</u>	<u>40.4%</u>		<u>41.2%</u>
Free cash flow						
Operating cash flow			\$ 1,858			1,900
Less: Cash paid for income taxes			(38)			(30)
Less: Cash paid for interest, net of amounts capitalized			(382)			(485)
Less: Capital expenditures (3)			(739)			(609)
Add: Other income			4			3
Free cash flow (4)			<u>\$ 703</u>			<u>779</u>

SPECIAL ITEMS

- (1) - Includes severance costs associated with recent headcount reductions (\$4 million), integration, severance and retention costs associated with our acquisition of Qwest (\$11 million), integration, severance, retention costs associated with our acquisition of Savvis (\$4 million) and an accounting adjustment (\$1 million).
- (2) - Includes severance costs associated with reduction in force initiatives (\$23 million), integration, severance and retention costs associated with our acquisition of Qwest (\$10 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$2 million).
- (3) - Excludes \$8 million in second quarter 2013 and \$18 million in second quarter 2012 of capital expenditures related to the integration of Embarq, Qwest and Savvis.
- (4) - Excludes special items identified in items (1) and (2).

CenturyLink, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)
(Dollars in millions)

	Six months ended June 30, 2013			Six months ended June 30, 2012		
	As reported	Less special items	As adjusted excluding special items	As reported	Less special items	As adjusted excluding special items
Operating cash flow and cash flow margin						
Operating income	\$ 1,497	(54) (1)	1,551	1,311	(117) (2)	1,428
Add: Depreciation and amortization	2,240	-	2,240	2,416	-	2,416
Operating cash flow	<u>\$ 3,737</u>	<u>(54)</u>	<u>3,791</u>	<u>3,727</u>	<u>(117)</u>	<u>3,844</u>
Revenues	\$ 9,038	-	9,038	9,222	-	9,222
Operating income margin (operating income divided by revenues)	<u>16.6%</u>		<u>17.2%</u>	<u>14.2%</u>		<u>15.5%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>41.3%</u>		<u>41.9%</u>	<u>40.4%</u>		<u>41.7%</u>
Free cash flow						
Operating cash flow			\$ 3,791			3,844
Less: Cash paid for income taxes			(46)			(31)
Less: Cash paid for interest, net of amounts capitalized			(647)			(729)
Less: Capital expenditures (3)			(1,395)			(1,277)
Add: Other income			4			10
Free cash flow (4)			<u>\$ 1,707</u>			<u>1,817</u>

SPECIAL ITEMS

- (1) - Includes severance costs associated with recent headcount reductions (\$11 million), integration, severance and retention costs associated with our acquisition of Qwest (\$18 million), integration, severance, retention costs associated with our acquisition of Savvis (\$7 million) and an accounting adjustment (\$18 million).
- (2) - Includes severance costs associated with reduction in force initiatives (\$66 million), integration, severance and retention costs associated with our acquisition of Qwest (\$46 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$5 million).
- (3) - Excludes \$15 million in second quarter 2013 and \$28 million in second quarter 2012 of capital expenditures related to the integration of Embarq, Qwest and Savvis.
- (4) - Excludes special items identified in items (1) and (2) and does not reflect the impact of pension contributions of \$147 million for the six months ended June 30, 2013.

CenturyLink, Inc.
SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EPS
THREE MONTHS ENDED JUNE 30, 2013 AND 2012 AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(UNAUDITED)
(Dollars in millions, except per share amounts)

	Three months ended		Six months ended	
	June 30, 2013 (excluding special items)	June 30, 2012 (excluding special items)	June 30, 2013 (excluding special items)	June 30, 2012 (excluding special items)
Net income *	\$ 249	218	552	461
Add back:				
Amortization of customer base intangibles:				
Qwest	230	244	464	488
Embarq	34	39	68	78
Savvis	15	14	30	29
Amortization of trademark intangibles:				
Qwest	11	16	23	34
Savvis	2	3	4	5
Amortization of fair value adjustment of long-term debt:				
Embarq	1	1	2	2
Qwest	(17)	(20)	(34)	(48)
Subtotal	276	297	557	588
Tax effect of above items	(108)	(112)	(217)	(223)
Net adjustment, after taxes	\$ 168	185	340	365
Net income, as adjusted for above items	\$ 417	403	892	826
Weighted average diluted shares outstanding	605.6	621.8	613.3	621.1
Diluted EPS (excluding special items)	\$ 0.41	0.35	0.90	0.74
Adjusted diluted EPS as adjusted for the above-listed purchase accounting intangible and interest amortizations (excluding special items)	\$ 0.69	0.65	1.46	1.33

The above schedule presents adjusted net income and adjusted earnings per share (both excluding special items) by adding back to net income and earnings per share certain non-cash expense items that arise as a result of the application of business combination accounting rules to our recent acquisitions. Such presentation is not in accordance with generally accepted accounting principles but management believes the presentation is useful to analysts and investors to understand the impacts of growing our business through acquisitions.

*See preceding schedules for a summary description of the impact of excluded special items.